

## Message Text

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ACTION EB-03

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 4312

C O N F I D E N T I A L BONN 12601

LIMDIS

PASS TREASURY FOR COOPER, WIDMAN AND KORP;  
PASS FEDERAL RESERVE FOR GOVERNORS WALLICH AND MITCHELL

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: BUNDESBANK ATTITUDE TOWARD THE FEDERAL  
RESERVE DRAFT GUIDELINES ON US REGULATIONS OF  
FOREIGN BANKS

1. OVER THE LAST SEVERAL MONTHS THE FINANCIAL ATTACHE  
HAS BEEN ENCOUNTERING GROWING CRITICISM DURING HIS  
FREQUENT VISITS TO THE BUNDESBANK CONCERNING THE  
FEDERAL RESERVE'S DRAFT GUIDELINES REGARDING THE  
REGULATION OF FOREIGN BANKS IN THE US. IN APRIL  
(SEE BONN'S A-176) THE BUNDESBANK BOARD MEMBER MOST  
DIRECTLY IN CHARGE (GOCHT) TOLD HIM THAT HE WAS  
FULLY IN ACCORD WITH THE GUIDELINES' BASIC PRINCIPLE  
OF NATIONAL TREATMENT. IN JULY BOTH GOCHT AND  
IRMLER ARGUED THAT NATIONAL TREATMENT WAS NOT REALLY  
EQUITABLE IN THE CASE OF TWO SO RADICALLY DIFFERENT  
BANKING SYSTEMS AS THAT OF THE US AND GERMANY. THEY  
SEEMED TO FEEL, HOWEVER, THAT A SUFFICIENT DEGREE  
OF EQUITY MIGHT BE ACHIEVED THROUGH LIBERAL  
"GRANDFATHERING" OF EXISTING PRIVILEGES OF GERMAN  
BANKS IN THE US. DURING A VISIT THIS WEEK, GOCHT  
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TOLD THE FINANCIAL ATTACHE THAT HE THOUGHT THAT THE

FAIREST SYSTEM MIGHT BE ONE OF NATIONAL TREATMENT FOR EACH OTHERS BANKS WITH THE ADDITIONAL STIPULATION THAT A BANK COULD NOT ENGAGE IN THE OTHERS COUNTRY IN ANY ACTIVITY IT WAS NOT ALLOWED TO ENGAGE IN AT HOME. IN RESPONSE TO A QUESTION, GOCHT SAID HE ASSUMED THIS NEW PRINCIPLE WOULD PREVENT US BRANCHES IN THE FRG NOT ONLY FROM ENGAGING IN THE BROKERAGE BUSINESS (WHICH FEW, IF ANY, DO IN ANY CASE), BUT ALSO, FOR EXAMPLE, FROM BUYING OTHER BANKS WHICH HE UNDERSTOOD A BANK BRANCH IN THE US IS NOT ALLOWED TO DO OR FROM EXPANDING INTO MORE THAN ONE STATE.

2. COMMENT: WE CANNOT HELP BUT SUSPECT THAT THE GREATLY TOUGHENED BUNDESBANK ATTITUDE AT LEAST IN PART IS MOTIVATED BY THE DESIRE TO BUILD UP A BARGAINING OR NEGOTIATING POSITION. WE HAVE NO INDICATION THAT IT IS SHARED BY THE GERMAN GOVERNMENT (SEE BONN 10273). BUT IN PART IT ALSO MAY BE DUE TO WELL KNOWN BUNDESBANK IRRITATION WITH THE MOVE OF AMERICAN BANKS INTO RETAIL BANKING AND CONSUMER FINANCING. IT IS ALSO CONCEIVABLE THAT THERE COULD BE SOME APPREHENSION WITHIN THE BUNDESBANK THAT AMERICAN BANKS MAY TAKE ADVANTAGE OF THE POST HERSTATT PLIGHT OF SMALL PRIVATE GERMAN BANKS FOR SOME FURTHER ACQUISITIONS. IN ANY CASE, THE VERY VOCAL CRITICISM IN NEW YORK OF THE BUNDESBANK'S ROLE IN THE HERSTATT CLOSURE HAS--AT LEAST TEMPORARILY--NOT CONTRIBUTED TO AN IMPROVEMENT IN THE ATMOSPHERE.  
HILLENBRAND

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## Message Attributes

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